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- I. Psemier Sihanouk's personal decision recognize Peiping has met with varying internal reactions.
  - A. Policy-reviewing Mational Congress scheduled open Phnom Peab
    27 July postponed sine die, indicating Sihanouk needs more
    time prepare for unanimous acceptance.
  - B. Many Cambodian leaders fearful consequence recognition but tend feel no other choice in view Vietnamese hostility and need accept reality of Chinese Communist "colossus." They hopeful damage can be "limited."
  - C. Dap Chhuon, anti-Communist governor Sien Reap Province, has sent word American ambassador he "deeply distressed" by recognition.

    Says he loyal to monarchy and Sihanouk but loves country more than either these.
- II. Next developments this situation largely dependent Saigon acticas.
  - A. President Diem claims no precipitate action will be taken against Cambodia in retaliation recognition.
  - B. At same time he not willing to go out of way conciliate differences, as he convinced Sihanouk dangerous Communist tool and must somehow be removed.
  - C. Company of Vietnamese marines ordered 25 July to disputed island group off Phu Quoc Island in Gulf Siam. Presence small Cambodian garrisons some these islands raises threat of incident.
  - Chinese in Cambodia to emigrate with their capital to Vietnam,
    Since these Chinese alarmed at recognition Peiping, they may do so
    - 1. Saigon's purpose is to weaken Cambodian economy, strengthen their own.

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- A. Distinct possibility he may accept preferred Chicam military assistance that time, unless some display Vietnesses goodsill undercuts such move.
- B. Primary necessity is for Vietnam agree remove strongly defended concrete border marker erected over mile inside old Cambedian frontier during Vietnamese army border incursion mid-June.
- C. Cambodian fear and hatred Vietnamese immediate and real is contrast mild attitude toward "remote" Chinese.
- IV. US reaction Cambodian resognition also crucial.
  - A. Ambessador StSom in Pinom Penh feels tough attitude will mily drive Cambedia further left.
  - 8. Diem government feels Sihamouk will be everthrown by moderates if US cuts aid.
  - C. Ambassador Johnson in Bangkok says Thai strongly desire 8: retain its presence in Cambodia to ward off Communist influence.
  - O. Ambassador Smith is Vientians fears unless US clearly
    penalizes Cambodis, Laos will be inclined permit establishent
    resident Soviet representation and enter into economic and
    political relations with Communist China.